

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY TUNIS

LIMITED OFFICIAL USE STATE 081191

E.O. 11652: N/A
TAGS: BBAK, TS

SUBJECT:REQUEST FOR CONFIDENTIAL ASSESSMENT OF REPUTATION
OF COASTAL STATES

1. PARA 2 BELOW PROVIDES SUMMARY OF A COASTAL STATES GAS
CORP. REPORT TO ITS SECURITY HOLDERS:

2. THE U.S. SECURITIES AND EXCHANGE COMMISSION (SEC)
SUSPENDED TRADING OF COASTAL STATES GAS CORPORATION
SECURITIES ON JUNE 5, 1973, BY INJUNCTIVE ACTION. THE
ISSUE WAS RESOLVED ON SEPTEMBER 11, 1973, WHEN COASTAL
STATES CONSENTED TO AN AGREED SETTLEMENT WITH THE SEC.
IN ACCEPTING THE SETTLEMENT, COASTAL STATES NOTED THAT
THE COMPANY WAS NEITHER ADMITTING NOR DENYING ANY OF THE
CHARGES. THE ISSUES AT STAKE SEEM TO HAVE CENTERED AROUND
TWO BASIC POINTS:

1) THE QUALITY AND ACCURACY OF THE INFORMATION
FURNISHED BY COASTAL STATES TO ITS STOCKHOLDERS.

2) THE INABILITY OF COASTAL STATES TO MEET ALL OF ITS
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DAILY DELIVERABILITY REQUIREMENTS OF GAS TO ITS

CUSTOMERS.

THE FINAL JUDGMENT RENDERED BY THE COURT FORBIDS THE COMPANY FROM MAKING ANY UNTRUE STATEMENTS OF MATERIAL FACTS OR OMITTING TO STATE MATERIAL FACTS IN ITS REPORTS TO ITS SECURITY HOLDERS. THE JUDGMENT REQUIRED COASTAL STATES TO INCREASE THE NUMBER OF MEMBERS ON THE BOARD OF DIRECTORS FROM TEN TO THIRTEEN. SIX NEW INDEPENDENT MEMBERS, SATISFACTORY TO THE SEC, WERE TO BE DESIGNATED BY THE COURT. OTHER CHANGES IN THE MANAGEMENT OF THE COMPANY WERE ALSO NOTED IN THE JUDGMENT. ALL OF THESE CHANGES WERE TO BE IN EFFECT UNTIL THE NEXT REGULAR ANNUAL MEETING OF THE STOCKHOLDERS OF THE COMPANY. THE JUDGMENT FURTHER ORDERED COASTAL STATES TO PROVIDE EXPLANATIONS ON GAS RESERVES, GAS GATHERING SYSTEMS AND OTHER FACTORS WHICH MAY HAVE EFFECTED THE COMPANY'S INABILITY TO MEET ITS DAILY DELIVERY REQUIREMENTS.

3. EMBASSY MAY AT ITS DISCRETION ORALLY PASS SUBSTANCE OF SUMMARY TO GOT ON CONFIDENTIAL BASIS BUT SHOULD STRESS THAT USG HAS NO REASON TO DOUBT FINANCIAL INTEGRITY OF COASTAL STATES. EMBASSY SHOULD ALSO POINT OUT THAT SEC REQUIRES VERY HIGH STANDARDS OF US COMPANIES IN DEALING WITH THEIR STOCKHOLDERS AND THIS APPEARS TO BE AN EXAMPLE. KISSINGER

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